

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS  
OF SAN BERNARDINO COUNTY, CALIFORNIA  
AND RECORD OF ACTION**

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June 3, 2003

**FROM:**       **DAVID H. SLAUGHTER**, Director  
Real Estate Services Department

**ART GOMEZ**, Deputy Administrative Officer  
Human Services System

**SUBJECT:   LEASE AGREEMENT WITH 2245 VALLEY LLC**

**RECOMMENDATION:** Approve a seven-year lease agreement with 2245 Valley LLC, a California Limited Liability Corporation, for 15,000 square feet of storage and inventory distribution space for Human Services Systems (HSS) from June 3, 2003 through May 31, 2010 in the amount of \$511,452.

**BACKGROUND INFORMATION:** On July 31, 2002, the County Administrative Office approved Capital Improvement Program request #02-59 submitted by HSS for 15,000 square feet of warehouse space in the San Bernardino area with a term, including options, not to exceed ten years. The space will be used to store closed files and for inventory distribution. The new facility will allow HSS to utilize an efficient rack storage system and provide a secure truck parking area and loading dock access not available at its current storage facility.

Per County Policy 08-02-01, the Real Estate Services Department (RES D) used the Solicitation of Proposal (SOP) process. Staff from RES D and HSS reviewed four potential sites. All four met the criteria; however, the space available at 2245 Valley Boulevard in Colton was offered at the lowest cost. The terms of the lease are summarized as follows:

Lessor:                   2245 Valley LLC, a California Limited Liability Corporation  
(Donald Lam, Managing Member)

Location:                2245 Valley Boulevard, Colton

Size:                     15,000 square feet

Term:                    Seven years commencing June 3, 2003

Rent:	<u>Cost per sq. ft. per month</u>	<u>Monthly</u>	<u>Annual</u>
	\$0.36* (modified gross)	\$5,400	\$64,800
	*Mid-range for storage and distribution space in the Colton area		

Annual Increases:    4% on June 1<sup>st</sup> each year

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Options: One three-year option

Improvement Costs: Minimal; provided by Lessor at no cost

Custodial: Provided by County

Maintenance: Provided by Lessor

Utilities: Provided by County

Right to Terminate: County has the right to terminate with 90-days notice

Parking: Sufficient for County needs

**REVIEW BY OTHERS:** This item has been reviewed by County Counsel (Rex Hinesley, Chief Deputy County Counsel) on March 6, 2003; HSS Administration (Darlene Bently-Hill, Interim Facility & Services Manager) on March 6, 2003; and the County Administrative Office (Daniel R. Kopp, Administrative Analyst) on May 22, 2003.

**FINANCIAL IMPACT:** The total cost of this seven-year lease is \$511,452. The cost in fiscal year 2002-03 is \$5,040 (first month rent). Payments will be made from the Rents budget (AAA RNT) and reimbursed from HSS budget (AAA DPA). Sufficient appropriation is available in both budgets. Approval of this item will not result in local cost. Annual lease costs are as follows:

<u>Year</u>	<u>Annual lease cost</u>
June 3, 2003 – May 31, 2004	\$64,440
June 1, 2004 – May 31, 2005	67,392
June 1, 2005 – May 31, 2006	70,092
June 1, 2006 – May 31, 2007	72,888
June 1, 2007 – May 31, 2008	75,804
June 1, 2008 – May 31, 2009	78,840
June 1, 2009 – May 31, 2010	81,996

**COST REDUCTION REVIEW:** The County Administrative Office has reviewed this agenda item, concurs with the HSS's and RESD's proposal, and recommends this action based on programmatic needs for space. These lease payments are made from non-general fund sources. Funding is available, ongoing in nature, and not in imminent jeopardy of being cut at the state or federal level. If funding is reduced or eliminated, the lease can be terminated in 90 days. Consolidation of this space with other existing space has been explored and no feasible opportunity exists at this time.

**SUPERVISORIAL DISTRICTS:** Fifth

**PRESENTER:** David H. Slaughter, Director, 7-7813

DH 7-7841      mf 7-7825

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